

# Credit Union Opportunities

## Credit Unions can Assist in Disaster Mitigation Efforts

*Article was reprinted courtesy of FEMA Community Development Specialist Christy Brown*

A little bit of planning and community partnership can go a long way towards building a disaster-resistant community. The Federal Emergency Management Agency - an independent agency reporting to the President and tasked with responding to, planning for, recovering from and mitigating against disaster - can trace its beginnings to the Congressional Act of 1803. Today, FEMA - a 2,500-person agency supplemented by more than 5,000 stand-by disaster reservists - has a mission to lead America to prepare for, prevent, respond to and recover from disasters with a vision of "A Nation Prepared." At no time in its history has this vision been more important to the country than in the aftermath of Sept. 11th.

FEMA recommends these potential activities for credit unions to help promote disaster mitigation:

- Establish low-interest loan programs for members to retrofit their homes and businesses, build safe-rooms, and develop disaster resistant landscaping.
- Help homeowners associations or other groups create revolving loan programs to enable members to make their homes and businesses more disaster resistant.
- Establish special savings accounts to be used for mitigation purposes.
- Include disaster prevention information in monthly statements.
- Promote disaster resistance on the credit union's website.
- Provide training or materials on how to protect important documents and belongings against loss in the event of a disaster. A discount could be offered on safe deposit box rentals for workshop participants.
- Sponsor an All-Hazards Demonstration House (refer to next page for more information).
- Offer credit union employees incentives for minimizing their own disaster risks or for contributing to the community's efforts to become disaster resistant.
- Sponsor meetings, educational events, volunteer activities, and/or fundraisers to elevate awareness of natural hazard risks and measures that can be taken to minimize those risks.
- Require members to take a business continuity-planning seminar before they can qualify for a business loan.

Turn the page for more information regarding disaster mitigation.



Happy New Year!

### Inside this issue:

Free AARP Tax Services	3
Earned Income Tax Credit	4
Retirement Savings Contributions Credit	5
Fannie Mae Partnerships	6
Small Business Administration Programs	7

## Disaster Mitigation Efforts (Continued)

The below two examples of how communities have become involved in local disaster mitigation activities:

**Aberdeen Federal Credit Union—Aberdeen, SD:** In cooperation with a number of local partners, the Aberdeen FCU participated in a public education campaign. The partners assessed what information residents needed in relation to their disaster risks and then researched what information already existed. The effort involved collecting and disseminating existing information and crafting messages to fill the gaps. The topics covered by the campaign include family disaster planning, business recovery plans, flood insurance, flood survival techniques, winter survival techniques, and disaster proofing residential structures. The Public Education Committee utilized a multi-media approach, making use of videos, public service announcements, newspaper articles, newsletters, brochures, individual and group training, etc... Activities also included sponsoring Public Information Fun Days and Contractor Education Classes.

**Yellowstone, MT:** The local community planned a Wise Building Practices Workshop in an effort to share information regarding ways to lessen the impact of disasters. Presenters addressed ways in which communities and individuals make decisions about where they live, how they construct their residences, and how they use land and other resources. Participants discussed methods for encouraging wise decisions regarding these issues. They also discussed lessons learned the hard way locally and nationwide in an effort to develop ways to make the community more disaster resistant. Presenters reviewed local ordinances why they are in place, and how residents can comply without sacrificing their own needs. This workshop was designed for credit union staff, land developers, code officials, landowners, and zoning board members.

### Current FEMA Programs

Information regarding the below three free programs can be obtained from the FEMA regional offices (refer below) or FEMA's website at [www.FEMA.GOV](http://www.FEMA.GOV).

1. The All-Hazards Demonstration House Program provides a mobile house that can visit your community.
2. Disaster Mitigation Workshops are given by FEMA in many states. An Independent Study Program is also available to private citizens. Special seminars and workshops are offered via satellite as part of FEMA's Emergency Education Network, called EENET. Project Impact: Building a Disaster Resistant Community is one type of workshop. More than 200 communities and 1,000 business partners throughout the country are participating in Project Impact. FEMA also hosts the National Flood Conference. The 2003 National Flood Conference will be held on May 27 to May 30 at the San Francisco Hilton and Towers. Contact Catherine King at (301) 918-1439 for more conference information.
3. The Saferoom Project provides instructional materials to build a safe room for the community or member's home. FEMA is urging people who live in tornado-prone areas to make sure they have a tornado-safe place to go during a tornado. A basement is considered a good, safe place to go during a tornado. But what if your house doesn't have a basement? What should you do? FEMA says you can build a tornado "safe room" right in your house.

### FEMA Regional Offices with Jurisdictions

Region I (CT, MA, ME, NH, RI, VT)  
JW McCormack POCH, Room 442  
Boston, MA 02109  
Phone: (617) 223-9540

Region II (NJ, NY, PR, VI)  
26 Federal Plaza, Suite 1307  
New York, NY 10278-0001  
Phone: (212) 680-3600

Region III (DC, DE, MD, PA, VA, WV)  
615 Chestnut Street  
Philadelphia, PA 19106  
Phone: (215) 931-5608

Region IV (AL, FL, GA, KY, MS, NC, SC, TN)  
3003 Chamblee Tucker Road  
Atlanta, GA 30341  
Phone: (770) 220-5200

Region V (IL, IN, MI, MN, OH, WI)  
536 South Clark Street, 6th Floor  
Chicago, IL 60605  
Phone: (312) 408-5500

Region VI (AR, LA, NM, OK, TX)  
Federal Regional Center  
800 N. Loop 288  
Denton, TX 76209  
Phone: (940) 898-5399

Region VII (IA, KS, MO, NE)  
2323 Grand Boulevard, Suite 900  
Kansas City, MO 64108-2670  
Phone: (816) 283-7061

Region VIII (CO, MT, ND, SD, UT, WY)  
Building 710, Box 25267  
Denver, CO 80225-0267  
Phone: (303) 235-4800

Region IX (AZ, CA, HI, NV, Territories)  
1111 Broadway, Suite 1200  
Oakland, CA 94607  
Phone: (510) 627-7100

Region X (AK, ID, OR, WA)  
130 228th Street, SW  
Bothell, WA 98021  
Phone: (425) 487-4600

## Free Tax Assistance for Members through the AARP Tax Aide Program

*Article was reprinted courtesy of AARP Foundation's National Communications Coordinator Fran Brenneman*

Credit unions can assist their membership by providing information regarding free tax services supported by community volunteers and the AARP Foundation. The AARP Tax-Aide Program is the nation's largest, free, volunteer-run tax counseling and preparation service.

### **The AARP Tax-Aide Program is:**

- a free, quality service;
- available to people of all ages with middle and low income, with special attention to those age 60 and older (or 17 percent of the total U.S. population);
- a service which prepares tax returns and answers tax questions;
- more than 30,000 dedicated and proud IRS-trained and certified volunteers;
- a confidential service; and
- a nonprofit program through the AARP Foundation, an affiliated 501(c)(3) nonpartisan organization.

The AARP Tax Aide Program is not for individuals with complex tax returns. These taxpayers will be advised to seek professional tax assistance. Participating taxpayers should bring the following items to the AARP Tax-Aide site:

- current year's tax forms and preparation booklet
- copy of last year's income tax returns
- W-2 forms from each employer
- unemployment compensation statements

The AARP Tax-Aide Program has operated since 1968 under a cooperative agreement with the Internal Revenue Service as part of its Tax Counseling for the Elderly program. Since its birth, AARP Tax-Aide has helped over 32 million individuals file their taxes at more than 9,000 sites annually. The AARP Tax-Aide sites are currently located in places convenient for taxpayers to get to, such as senior centers, libraries and malls. The AARP Tax-Aide volunteers can also visit taxpayers in their homes, if they are physically unable to visit a site.

This program is available from February 1 through April 15 each year. To locate a site near you, call their toll free number 1-888-AARP NOW (1-888-227-7669) or visit the website at [www.aarp.org/taxaide](http://www.aarp.org/taxaide). During the off-season, the program continues to provide on-line tax counseling at [www.aarp.org/taxaide](http://www.aarp.org/taxaide).

If credit unions have members or staff who are interested in volunteering time to the AARP Tax Aide Program they may call toll-free, 1-888-AARP NOW (1-888-227-7669) or look on the program's home page at [www.aarp.org/taxaide](http://www.aarp.org/taxaide) under the heading "Volunteer with Tax Aide!"

NCUA is looking forward to facilitating a partnership between the AARP Foundation and credit unions in the future. The partnership is scheduled to be arranged for the 2004 tax season. Refer to future *Credit Union Opportunities* newsletters for more details.



## The Earned Income Tax Credit May Offer Relief for Credit Union Members

*Article was reprinted courtesy of the Internal Revenue Service*

When filing 2002 taxes this year, working couples making less than \$34,178 and individuals making less than \$33,178 may find they now qualify for the Earned Income Tax Credit (EITC). A tax credit usually means more money in their pocket. **Encourage your members to check out the EITC. If they qualify— why not claim it!**



Enacted by Congress in 1975 and administered by the Internal Revenue Service (IRS), the EITC reduces the amount of taxes owed by low-to-moderate income workers and is intended to offset Social Security taxes and other living expenses. For tax year 2002, workers whose earned income is below the following limits may be eligible to claim the EITC:

- earned income of \$33,178 and the member has more than one qualifying child (\$34,178 if married filing jointly)
- earned income of \$29,201 and the member has one qualifying child (\$30,201 if married filing jointly)
- earned income of \$11,060 and the member does not have a qualifying child (\$12,060 if married filing jointly)

Last year more than 19 million taxpayers claimed the EITC and received over \$32 billion in earned income tax credit. Unlike previous years, eligible couples and individuals will no longer include any nontaxable employee compensation when determining earned income for tax year 2002. Examples of nontaxable compensation include salary deferrals, such as contributions to 401(k) and the Federal Thrift Savings plans, and excludable employer-provided benefits, such as dependent care and adoption benefits. For military personnel, nontaxable compensation includes basic housing and subsistence allowances and combat pay.

In addition to the revised definition of earned income, other EITC changes for tax year 2002 include:

- Reducing the residency requirement for certain children from the entire year to more than half the year.
- New rules permitting taxpayers with the same qualifying child to choose who will use that child to claim the credit.
- Married couples filing a joint return now may get more tax benefits.

The new definition of earned income and other EITC tax law changes are described in detail in IRS Publication 596, Earned Income Credit. Publication 596 also contains prohibitions for fraudulently EITC claims and filing errors that may result in refund delays or reductions in the credit amount. To receive a free copy of Publication 596, taxpayers (members) should visit [www.irs.gov/eitc](http://www.irs.gov/eitc) or call 1-800-TAX-FORMS (1-800-829-3676). Publication 596 is also available in Spanish and is available in libraries and post offices throughout the U.S. that distribute federal tax materials.

The EITC can be figured by using the EITC worksheet in the IRS 1040, 1040A or 1040EZ tax packets most taxpayers receive in January. EITC products and technical information is also available at [www.irs.gov](http://www.irs.gov).

## Retirement Savings Contributions Credit

*Article was reprinted courtesy of the Internal Revenue Service (IRS)*

Some say we don't save as much money for retirement as we used to; a new tax credit may help some members put a little more into their savings accounts. To encourage members to make contributions to a retirement plan or Individual Retirement Account (IRA), Congress enacted a new tax credit effective for contributions made after January 1, 2002. It's called the Retirement Savings Contributions Credit and the amount of the credit is determined by the contributions made and the credit rate.

This nonrefundable credit could reduce your member's federal income tax liability, dollar for dollar, down to zero. The credit rate can be as low as 10 percent or as high as 50 percent, depending on your filing status and adjusted gross income...the lower your income, the higher the credit rate. The maximum credit for 2002 is \$1,000 per return (\$2,000 if married filing jointly).

The credit for 2002 is available to your member if your member:

- was born before January 1, 1985;
- was not a full-time student;
- was not claimed as a dependent on someone else's 2002 return; and
- has adjusted gross income in 2002 equal to or less than: \$50,000 if married jointly; \$37,500 if filing as head of household; or \$25,000 if filing single, married filing separately, or qualifying widow(er).

Eligible contributions include the following:

- contributions to traditional or Roth IRAs
- elective deferrals to a 401(k), 403(b), 457, SEP or SIMPLE plan
- voluntary contributions to a qualified retirement plan
- voluntary contributions to a 501(c)(18) plan

Your member's eligible contributions must be reduced by certain taxable and nontaxable distributions made after 1999 and before the due date (including extensions) of their 2002 tax return. See IRS Publication 590, Chapter 5, for more information. To claim the Retirement Savings Contributions Credit, the member can complete Form 8880.

## Fannie Mae Helps You Tackle Underserved Housing Needs in Your Community

Article was reprinted courtesy of Senior Vice President Ann Marie Wheelock

Working with Fannie Mae, credit unions can tackle barriers to homeownership that exist for some of your members. Fannie Mae offers unique mortgage products targeted to underserved minorities and consumers with low- to moderate-incomes; fast, accurate underwriting technology that supports the mortgage decision process; and special support teams to fine-tune your strategy to reach these potential homebuyers.

Increasing mortgage volume in these markets not only benefits credit unions' earnings; this business helps reinforce neighborhood stability in the communities credit unions serve by turning renters into proud homeowners. With these individuals projected to account for nearly two-thirds of growth in the number of American households over the next decade, now is the time to closely focus on new ways to serve these markets.

Consumer research has identified two leading barriers to homeownership: lack of adequate funds for a down payment and closing costs and less-than-perfect credit histories - either can derail the home purchase plans of many potential homeowners.

A look at Fannie Mae's 2000 Habits and Practices Study gives insight into factors in underserved markets that steer potential homebuyers away from traditional lenders. For instance, when seeking mortgage funding, Hispanics and African-Americans are 50 percent less likely than whites to turn to their primary financial institution for a home loan. Another important finding tends to point underserved customers toward non-traditional loans: fear of rejection drives their search for a mortgage loan; they are almost solely focused on getting a "yes."

Here are just a few options from a full lineup of Fannie Mae products that can help credit unions serve these borrowers. For example:

- If a member has a good credit history, but lacks funds for a down payment and closing costs, Fannie Mae's *Flexible 97®* and *Flexible 100SM* are possible solutions because they require low or no down payments.
- For your member who has had some minor credit problems, the *Expanded Approval with Timely Payment Reward SM* product provides competitive interest rates and a potential automatic rate reduction of up to one percent, following 24 consecutive months of on-time payments.
- Your low- to moderate- income members can benefit from the *MyCommunityMortgageSM* suite of mortgage products options with lower credit thresholds and a more aggressive 100 percent LTV option.

And, as a Fannie Mae customer, you will also have access to significantly changed property appraisal and underwriting policies that recognize the unique aspects of rural housing portfolio.

Fannie Mae's industry-recognized underwriting technology can also help you expand mortgage business activity in underserved markets. Besides reducing cost and staff time, *Desktop Underwriter®* has the added value of accurately assessing eligibility. Plus, *Desktop Underwriter* allows you to automate auxiliary front-end processes, such as property appraisal, further assuring a fast and seamless mortgage application experience for all your members.

A partnership with Fannie Mae also opens the door to fully understanding key considerations for lending in this market. Fannie Mae specialists are available to present a lending work session in your credit union to help you and your lending team craft a dynamic strategy. You learn about this market's promising potential over the next ten years, review successful marketing tactics, and go over products and tools to help you more effectively serve these potential homebuyers.

The momentum of mortgage activity in this market is already trending upward at a healthy rate. Targeted Fannie Mae products have helped increase loans by lender partners to African-American families from \$2 billion to \$8 billion, a 205 percent increase since 1993. And, lending to minority families overall has jumped by 207 percent, from \$12 billion to \$38 billion in the same time period.

To pave the way to capturing increased market share, you need a focused game plan for your credit union's underserved markets strategy. A partnership with Fannie Mae can help you create the winning plan. Take a broad suite of flexible products that address credit and cash constraints faced by many borrowers, add fast underwriting technology that accurately assesses credit worthiness, mix in Fannie Mae expertise and you will craft a strategy that's right for your market. You'll soon be first and goal, as you tackle the challenges of underserved markets and score a big win for your credit union and your community.

*Ann Marie Wheelock, Fannie Mae's senior vice president of single family mortgage business in the Pasadena, CA, office, heads up the Fannie Mae underserved markets initiative. Ms. Wheelock also oversees customer account teams who manage the business relationships of nearly 400 customers in ten Western states and Guam. She may be reached at (626) 396-5168 or via e-mail at [ann\\_m\\_wheelock@fanniemae.com](mailto:ann_m_wheelock@fanniemae.com)*

## Small Business Administration Loan Programs

The U.S. Small Business Administration (SBA) was created by Congress in 1953 to help America's entrepreneurs form successful small enterprises. Credit unions should consider taking advantage of the benefits derived from the SBA programs. Two SBA programs are outlined below:

**7(a) Program:** SBA is encouraging credit unions to become participating lenders. The benefits to the credit union when issuing SBA loans include providing additional services to your membership; maintaining a desired liquidity of assets (selling in the secondary market) and attracting more members.

SBA can guaranty a business loan. With a guaranty loan, the actual funds are provided by independent lenders (credit unions) who receive a guaranty from the Federal Government on a portion of the loan they make to small businesses. The 7(a) Loan Program is the largest SBA guaranty loan program and allows the borrower (member) to use the proceeds for the purchase of land or buildings; acquisition of various types of fixed assets; long and short term working capital; refinance of an existing business loan; and purchase of an entire business.

The 7(a) Loan Program characteristics are as follows:

1. Loan guaranty is available.
2. Interest rates are fixed or variable with the SBA maximum rate of 2.75 percent over prime.
3. SBA charges lenders a guaranty and a servicing fee for each loan approved. The guaranty fees can be passed on to the borrower.

SBA has streamlined its process for approving credit unions to participate as 7(a) lenders. Credit unions need to submit only the following six items: (1) A copy of their charter, Articles of Incorporation, and bylaws. (2) A copy of its loan processing and servicing procedures. (3) A copy of the resolution of its board of directors designating the person authorized to submit the application for the credit union. (4) A copy of its Call Report for the most recent quarter. (5) A description of the relationship between the credit union and any associates (or n/a). (6) Affirmation that the credit union is insured by NCUA. Credit unions should check if their field of membership complies with SBA requirements prior to submitting the above items.

**Microloan Program:** The Microloan Program assists women, low income individuals, minority entrepreneurs, and other small businesses which need small amounts of financial assistance. Under this program, SBA makes loans available to "intermediaries" (credit unions and other nonprofit community-based organizations) who use the proceeds to make microloans to eligible borrowers. Credit unions may borrow up to \$750,000 in the 1st year of participation in the program and up to \$3.5 million in the aggregate over time. During the first year, the intermediary is not required to make any loan payments, but interest accrues from the time of disbursement. The loan must be repaid in 10 years. The interest rate is equal to the rate applicable to 5 year Treasury less a buydown of 1.25 to 2 percent based on the intermediary's performance. The intermediary will securitize the SBA loan with 1st liens on the microloans made, as well as its revolving loan fund and its loan loss reserve fund. Microloans are limited to \$25,000. Up to twice the amount of the microloan can be leveraged for total financing package of up to \$75,000. Microloans must be repaid within 6 years.

**Intermediary Qualifications:** SBA wants to approve intermediaries in underserved areas first. In order to be eligible for intermediary status, a credit union must show that it is a non-profit organization; have been making and servicing microloans for a minimum of 1 year prior to the time of application; and have been providing in-house technical assistance to its microloan clients for at least 1 year prior to the time of application. Credit unions should contact SBA for information on the application process. The application will require a narrative of microlending history and future plans, average size of loans, proposed microlending to rural areas, description of trade area, availability and market rates for small business loans in area, experience and qualifications in providing marketing, management, and technical assistance to small businesses, any plan to use other resources (e.g., Service Corps of Retired Executives) to help borrowers. SBA will attempt to insure that microloans are available to small businesses located in urban and rural areas.

**An SBA representative can explain the various SBA programs and services that will benefit your credit union and membership. For the district office nearest you, call (800) 8-ASK-SBA. SBA also provides invaluable information regarding training, programs and other information on their website: <http://www.sba.gov>.**

**National Credit Union  
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